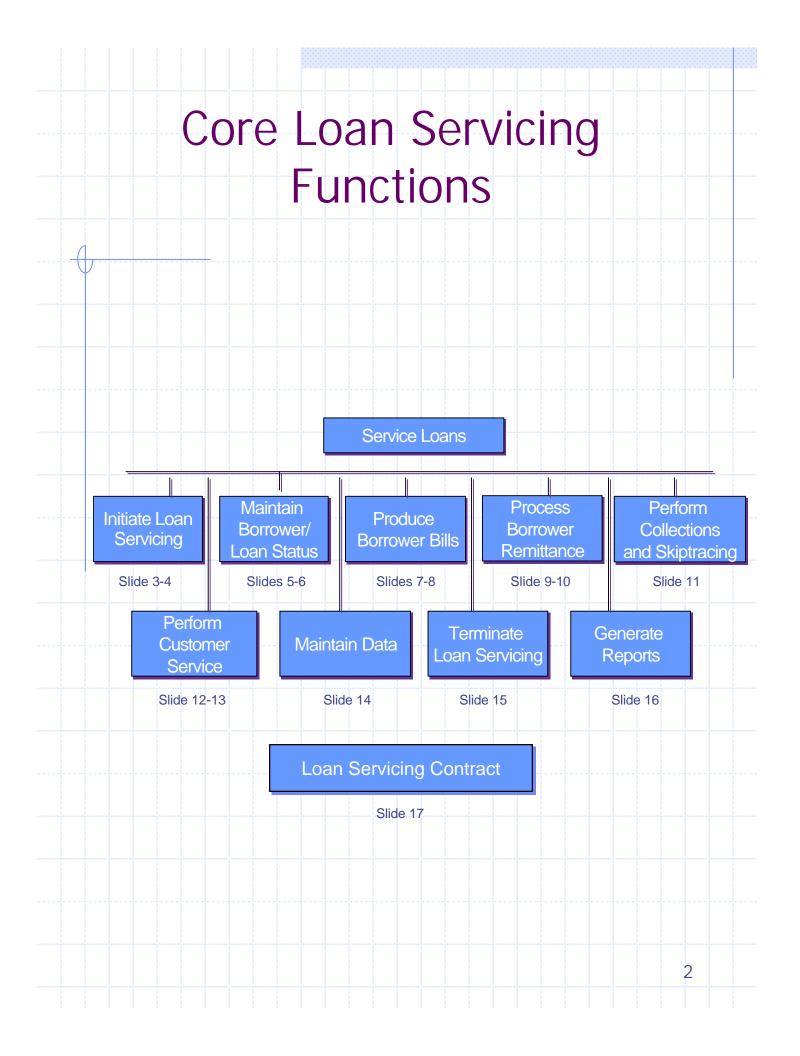
# Loan Servicing Black Belt "As Is" Environment July 12, 2002



#### Loan Servicing (LS) **Initiate Loan Servicing** Debt Common Collection Loan Origination & Loan Management Origination Disbursement Consolidation System (COD) (LO) (LC) (DMCS) Receive Loan Data - Loans, with MegaRecords their associated disbursement and And participant information, are received **PPYCO** by the DLSS Interface from LO, LC, and COD on a Daily Basis Discharge Durability Loan Servicing **Edit and Validate** Center Direct Loan the Loan Data - To (DDLSC) Servicing ensure data Database consistency and integrity Send XE (error) Data No back to sender of Valid and loan/disbursement Accurate? information Yes **Loan Booked** Yes Loan to on Servicing Servicing? No Welcome Letter\* generated Bookings will reject when Direct Loan borrower already has greater than 9 packets/accounts. \* 1 Welcome Letter Booking record will write to report is sent out each for DLSC to work. week to include any disbursements received during 3 that 7 day period

#### Initiate Loan Servicing (continued)



Receive Rehabilitated and Recalled Loans from DCS

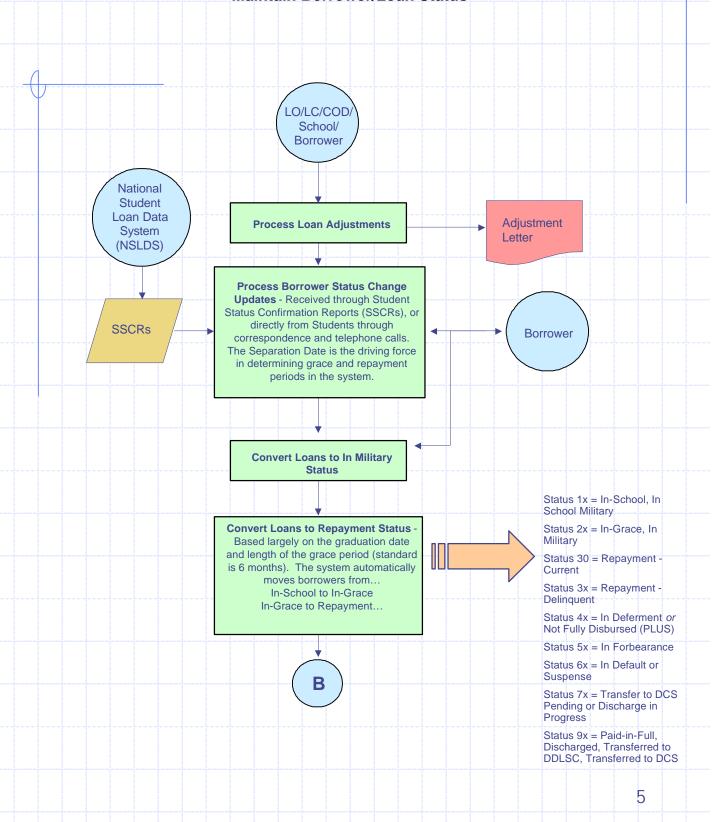
Spreadsheets containing Accounts and Payment Details

> Direct Loan Servicing Center (DLSC)

- 1. Reverse Claim Payment
- 2. Remove Claim
- 3. Apply Non-Cash Payments

Borrower Reinstated on Loan Servicing

#### Maintain Borrower/Loan Status



Maintain Borrower/Loan Status (continued) Calculate Repayment Schedules -Based upon borrower selection or default: - Standard - Extended - Graduated - Income Contingent Repayment (ICR) - Alternate Plans (4 types) Validate Deferments and Forbearances -When requested by the borrower, whether through a paper application or online Deferment/ submission (www.dl.ed.gov). The system Forbearance automatically generates the required forms **Forms** and updates status (In Deferment, In Forbearance) as required. **Generate Disclosure Notices -**Disclosure Whenever the repayment terms are changed or the borrower enters **Statements** Repayment. Incentives Tracking (EDA, On-time, etc.) A borrower is in Repayment-Current status until they become 1 day delinguent. From 1-270 days delinquent, a A borrower will make payments until borrower is in Repaymenttheir balance outstanding is \$0. At Delinquent status. that point, the loan is Paid-in-Full. Once a borrower reaches 271 days delinguent, the status of his/her loans is now In Default. A borrower's loans remain In Default from 271-360 days delinguent. At 361 days delinquent, a borrower's loans are sent to DCS. This status is G Transferred to DCS. Once DCS acknowledges the loan, the status changes to Transferred to DCS. 6

#### **Produce Borrower Bills**

Calculate, Accrue, and Capitalize
Interest - For the purposes of billing
a Direct Loan borrower on their
monthly billing cycle (7th, 14th, 21st,
28th) and in accordance with
regulations, loans terms, and the
borrower's agreement.

Assess Late Charges (planned implementation with DLSS FY2002-R1)

**Generate Bills** - Borrowers can receive bills and repay their loans through the following methods:

- Monthly paper bills w/ a billing coupon
- Electronic Debit Account (EDA) w/ no paper bill
- Electronic Bill Presentment and Payment (EBPP)

Borrower

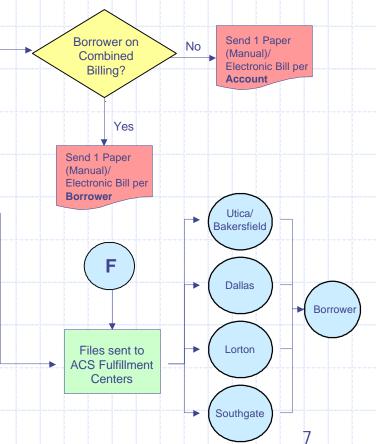
Enrolled in

Electronic

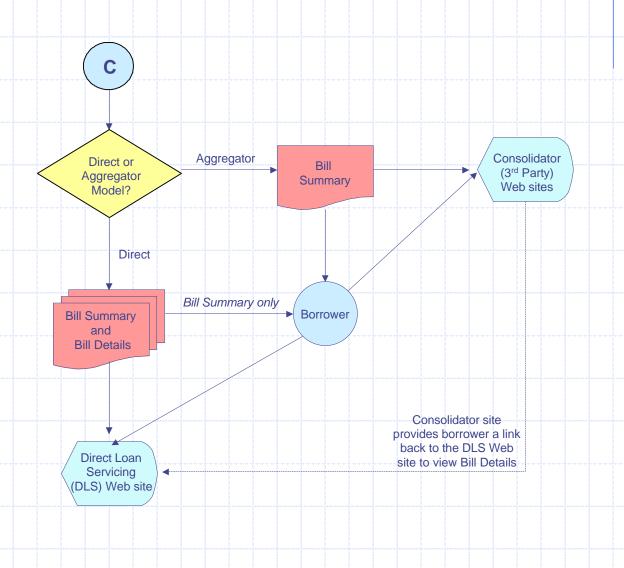
Billing?

Yes

No



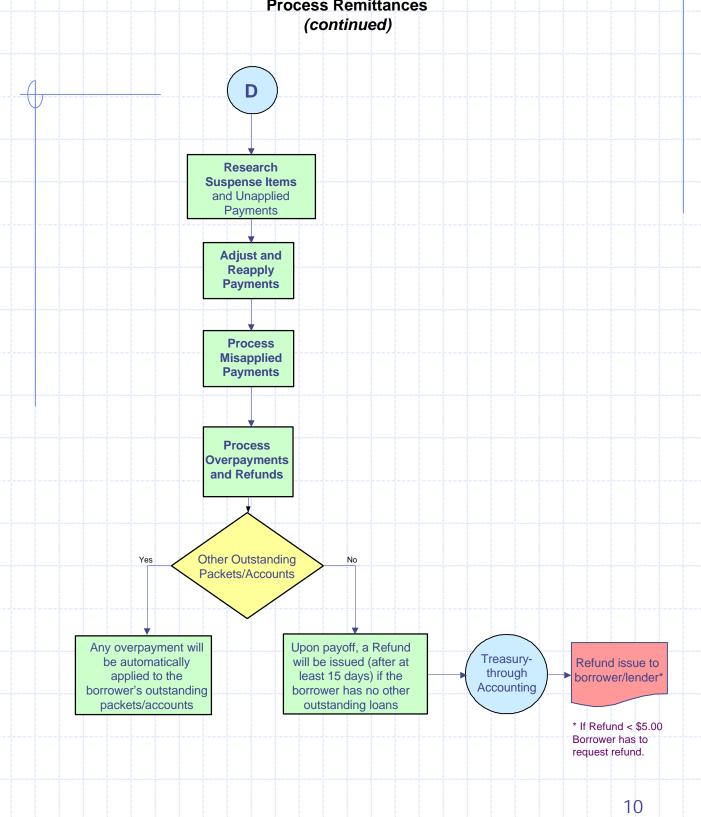
#### Produce Borrower Bills (continued)



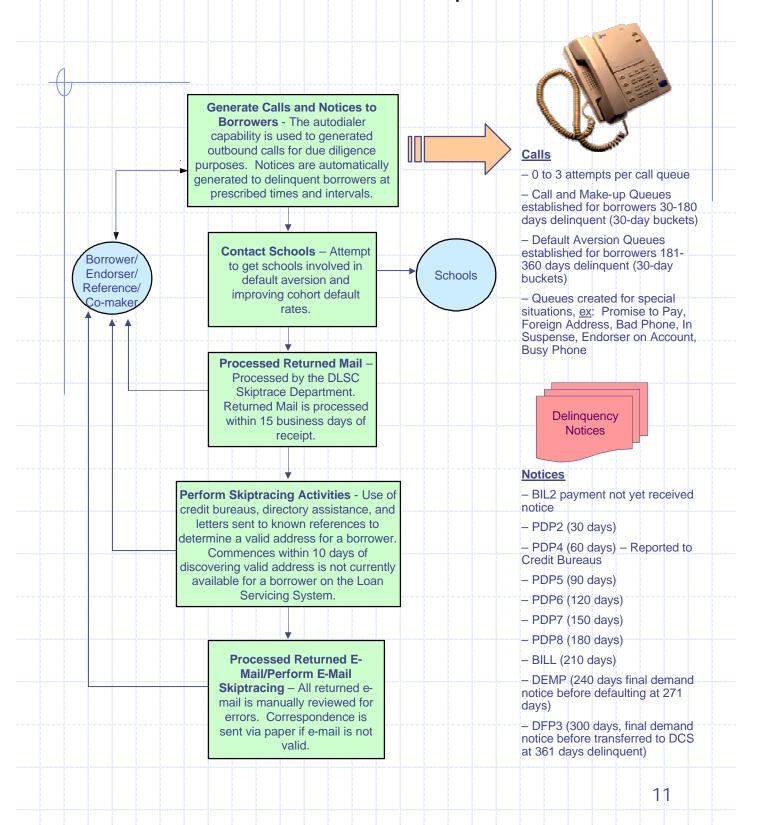
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#### Loan Servicing (LS) **Process Remittances DCS FFEL Child Care** Aggregator Consolidation Consolidation **EDA DLS Web Site** (3<sup>rd</sup> Party) Provider Lockbox Payoff from (through Vendor **Direct Payments** Web sites **Payment** LC Utica) **Process Address** Receive payments -**Changes and Other** From the Lockbox, Exceptions – From EDA Vendor, and payment Coupons and/or DLS Web site, etc. **Borrower Request** Apply Payments - Per the Cash No Statement of Work - Late Cancellation **Process** Charges (once assessed), Candidate? **Prepayments** Outstanding Interest, **Principal** Yes Advance No Next Manually Process Pay Due (Full or Partial) Date? **Cash Cancellation Apply** additional Yes amounts to Schools Principal \$0.00 Bill(s) sent to Borrower **Process** Payments - From schools for Cohort **Appeals** 9

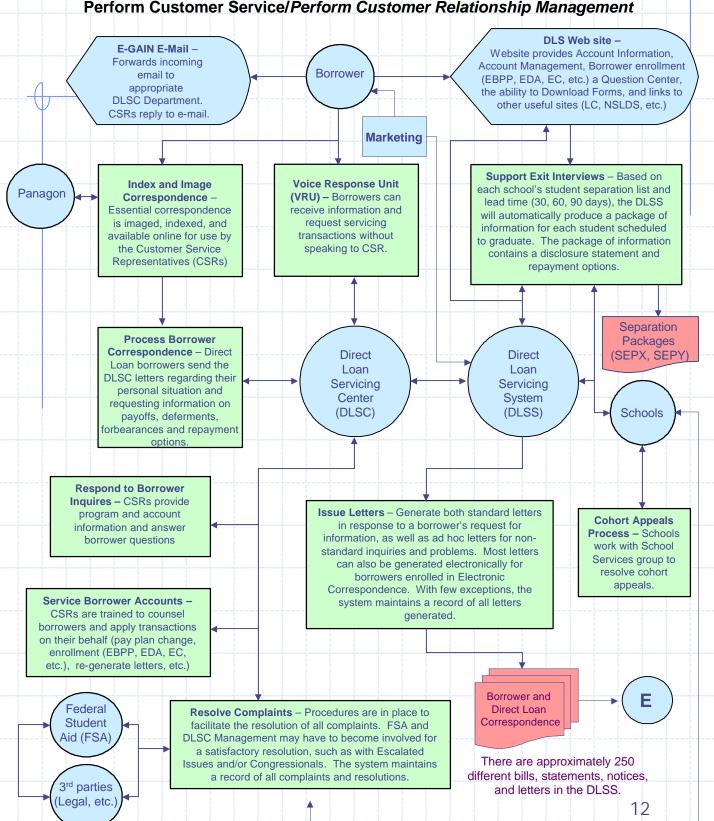




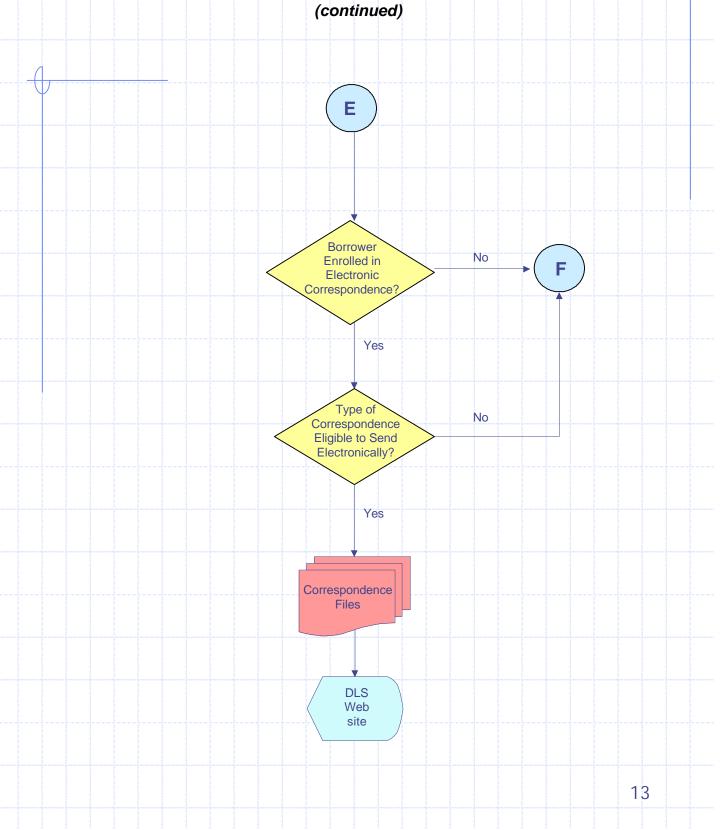
#### **Perform Collections and Skip Trace**



#### Perform Customer Service/Perform Customer Relationship Management



Perform Customer Service/Perform Customer Relationship Management (continued)



#### **Maintain Data**

LO/ Borrower/ COD

High Security Transactions – the processing of transactions such as account # change, deleting accounts, account combine, add \_second SSN to account, etc.

Participant Data – Maintained in the Loan Servicing Database

Borrower Data – Demographic Data, History of Transactions and Interactions. Data is available for query and update by authorized DLSC staff

Endorser and Co-Maker Data – Maintained at the Account Level for a corrower. Data available for query and update by authorized DLSC staff

Reference Data – Maintained at the Account Level for a borrower. Data available for query and update by authorized DLSC staff

Student and Spouse data

FSA

Maintain Loan Program Parameters —
Tables within the Loan Servicing Database contain key parameters such as Incentives, Interest Rate, Repayment Term, Grace Period, etc.

Maintain Institutional Data – All participating Direct Loan program institutions are stored in the Loan Servicing database.

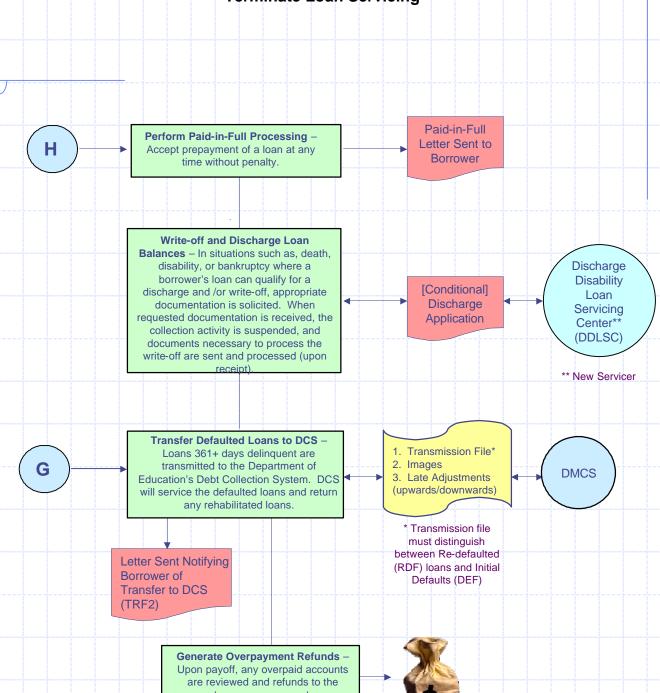
Data includes Address and key Point-of-Contacts information.

LO/
LC/COD/
MegaRecords/
PPYCO

Maintain Disbursement Data – 1st, 2nd, and all subsequent disbursements (associated changes and adjustments) are automatically processed and recorded.

COD

#### **Terminate Loan Servicing**



borrower processed.

#### Loan Servicing (LS) **Generate Reports** Deliverable **FSA** Reports Generate DLSS Reports - Reports generated on a Daily, Weekly, and Monthly Basis in support of DLSC Operations. These **DLSS Reports** reports support Financial Reconciliation (CF\*), Due Diligence Execution (DQ\*), and other more specialized tasks, such as ICR borrower monitoring (BL010.RPT) and Web Statistics Report. Lenders **System NSLDS Conflict BHAR** Balancing Resolution -(for schools, **DMCS** Manual Research (Schedule A) & litigation, and Reconciliation of data conflicts Due Diligence) Reports in the systems. **Provide Data to Outside** Agencies/Systems - This includes the Internal reporting of defaulted loans to DCS; New Revenue **NSLDS** loans and existing loan updates to NSLDS; Service Student Rosters to the Clearing House; (IRS) and income, waiver, and 1098-E information to the IRS. Clearing Credit House Management **Data Mart** Report to Credit Bureaus -Provide monthly loan information (CMDM) Credit to private sector credit bureaus: **Bureaus** Experian, Equifax, Trans Union, and INNOVIS. MIS and Ad Hoc Reporting -Predefined queries and reports are run against the MIS database in the MIS and Ad Hoc Loan Servicing System (DL School Reports Audit files). There are additional query capabilities that can be executed against the Loan Servicing System by authorized individuals.

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## Contractual Functions supporting Loan Servicing

- Maintain Compliance
- Project Management
- Key Personnel
- Production Support
- Configuration Management
- Software Development
- Quality Control and Quality Assurance
- Security
- Disaster Recovery
- Training
- Documentation Updates